

ECONOMIC COUNCIL OF CANADA



CA/EC

E17

economic and social indicators
1974



3 1761 11554073 4

Government
Publications



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Information Canada
Ottawa, 1974

Cat. No.: EC21-1/1974-2



[Canada] Economic Council of Canada

CAIEC-E17

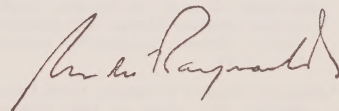
introduction	v	total output per person employed	16
reader's note	vi	output per person employed in manufacturing	17
performance indicators	1	employment	18
performance indicators, 1972-76 and 1973-77	3	unemployment	19
gross national expenditure	4	social indicators	21
relative price performance	5	health: prime-age mortality	23
consumer expenditures	6	environmental indicator: urban ambient air quality	24
real disposable income per capita	7	housing: crowding index	25
government current expenditures	8		
total investment	9	recommendations	27
nonresidential construction	10		
machinery and equipment	11		
housing starts	12		
residential construction	13		
exports	14		
imports	15		

During 1973 the Canadian economy benefited from strong growth in major industrialized countries, the devaluation of the North American currencies, and the expansionary monetary and fiscal policies that were maintained for most of the year. The result was an exceptional increase in Canadian production, an unprecedented rise in employment, and the elimination of most of the slack in the economy. But, as the year progressed, bottlenecks were encountered, deliveries became slower, backlogs developed, and selective labour shortages appeared. Despite the rise in employment, however, unemployment remained high.

While Canada experienced strong growth in 1973, inflationary price increases were recorded for many goods and services. Food prices continued to be a major contributor to inflation, and over the next years they could be markedly affected by the size of feed crops in 1974.

Other factors that may also aggravate inflationary pressures in future are the effect of energy shortages on supplies of goods; the increases in posted oil prices and their influence on world liquidity and the balance of payments of external advanced economies; and the aftermath of the discontinuation of controls in the United States.

In the following pages the Economic Council's appraisal of Canadian economic performance is summarized, and the economic performance targets are outlined. Three principal social indicators, described in more detail in the *Eleventh Annual Review*, are introduced, and the Economic Council's recommendations are listed.



Chairman

In the *Eighth Annual Review* the Economic Council proposed "the development of a set of statistical measures to monitor the changing conditions of our society over a broad spectrum of concerns."¹ The economic performance indicators introduced by the Council in its *Ninth Annual Review* are designed to provide a framework for the assessment of past performance and future growth patterns and to serve as temporary objectives or "medium-term targets."² These indicators, which are revised and updated annually, are reference points for attainable economic performance in the medium term. As such they are an integral part of the Council's approach to economic policy-making that involves the setting of targets, assessment of


economic performance, formulation of recommendations, and the harmonization of public and private economic decision-making.

In the *Eleventh Annual Review* the concept of social indicators is suggested in order to broaden the scope of the indicator framework.³ In a sense the Council is advocating the development of an array of indicators for social activities that would parallel some of the measures of economic concern, such as Gross National Product and the unemployment rate. Social indicators should, however, presently be regarded only as monitoring devices with some potentially significant insights for policy and planning. The economic performance indicators and social indicators, although discussed separately here, are in principle part of the same set of measures of the social system.

¹ Economic Council of Canada, *Eighth Annual Review: Design for Decision-Making* (Ottawa: Information Canada, 1971), p. 71.

² Economic Council of Canada, *Ninth Annual Review: The Years to 1980* (Ottawa: Information Canada, 1972), p. 92.

³ Economic Council of Canada, *Eleventh Annual Review: Economic Targets and Social Indicators* (Ottawa: Information Canada, 1974).



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performance indicators, 1972-76 and 1973-77

The areas for which economic performance indicators are used by the Economic Council to assess past performance and to serve as targets are listed in the table, and the targets for 1972-76 and the new ones for the 1973-77 period are compared.

In the following charts, the 1976 target level implicit in the average rate of change recommended in the *Tenth Annual Review* is shown as a black dot; the white dot represents the target proposed in the *Eleventh Annual Review*.

	Proposed Averages ¹	
	1972-76	1973-77 ²
Gross National Expenditure	6.0	5.5
Consumer expenditures	5.9	5.0
Total investment	9.0	8.2
Machinery and equipment	12.0	9.5
Nonresidential construction		12.2
Residential construction	1.5	2.0
Government current expenditures	5.0	5.0
Exports of goods and services	6.0	4.5
Imports of goods and services	7.5	6.0
Real disposable income per capita	4.2	3.8
Total output per person employed	2.4	2.4
Output per person employed in manufacturing	4.5	4.0
Total employment	3.4	3.0
Differential between Canadian and foreign prices ³	±0.5	±0.5
Number of housing starts (thousands per year)	245	245
Rate of unemployment in 1976 and 1977 (per cent)	4.5	4.5

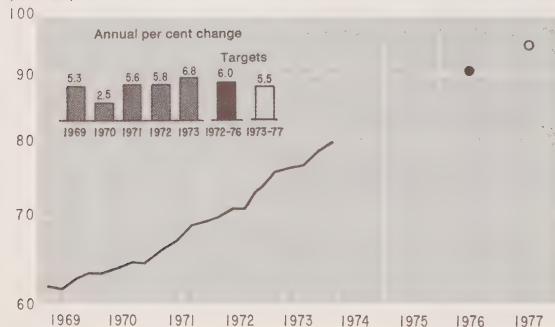
¹ For Gross National Expenditure and its components, as well as real disposable income and productivity, the targets are average annual percentage changes calculated in 1961 dollars. The indicator for employment measures the percentage change in the number of persons employed. The differential between Canadian and foreign prices is expressed in percentage points.

² 1973 is the base year to which the average annual percentage changes apply; 1974 is a year of transition for calculation purposes; 1975 to 1977 are the years to which the indicators apply for policy purposes.

³ Absolute difference between the percentage change in CPI in Canada and the percentage change in the weighted index of consumer prices in the U.K., the U.S., West Germany, Japan, France, and Italy. The value of the indicator proposed in Table 3-1 of the *Tenth Review* implied a differential of ±0.5 percentage points.

gross national expenditure

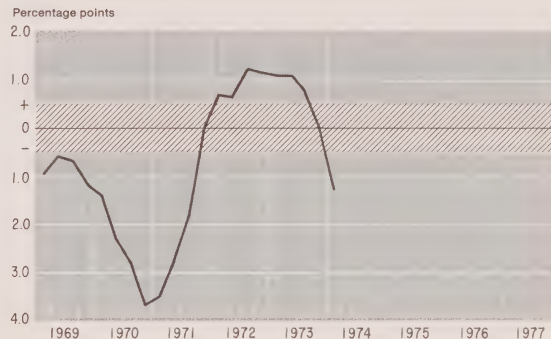
Billions of 1961 dollars
(ratio scale)



The growth rate for the Gross National Expenditure indicator is reduced from 6 to 5.5 per cent as the slack that remained in the economy following the 1970 slowdown was almost completely taken up in 1973. The economy can only grow as its capacity to produce real goods expands.

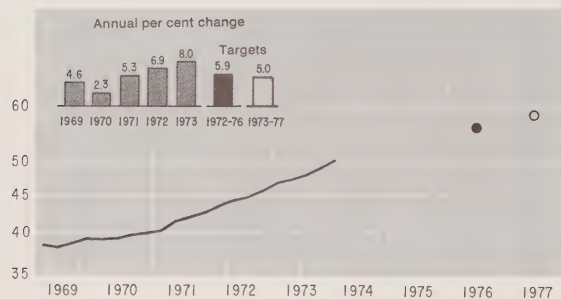
relative price performance

During the two-year period extending from the end of 1971 to the end of 1973, the Canadian economy was inflating at a higher rate (+) than its principal trading partners. Canada's price performance has improved (–) relative to that of other countries since early 1974. This is not however attributable to lower rate of price increase in Canada but to markedly higher price pressures elsewhere. The ± 0.5 percentage point relative differential between Canadian and foreign prices, as proposed in the *Tenth Annual Review*, is retained for the 1973-77 indicator.



consumer expenditures

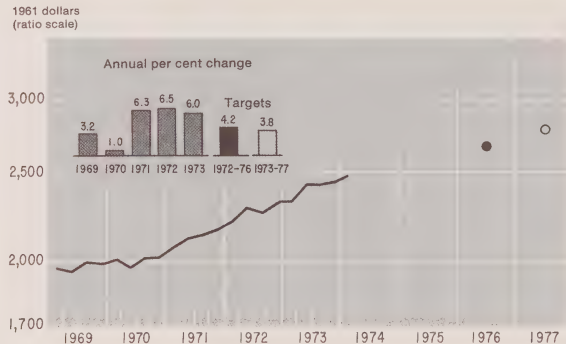
Billions of 1961 dollars
(ratio scale)



The consumer expenditures indicator is set at 5.0 per cent, following its strong performance in 1973. This revision is in line with the modification to the GNE growth target for the 1973-77 period.

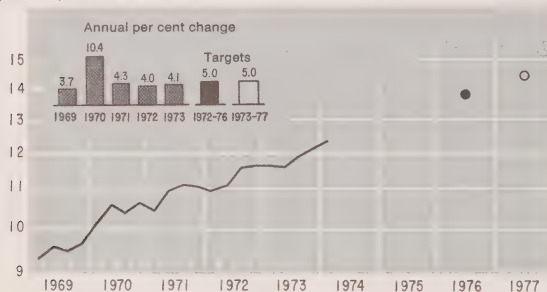
real disposable income per capita

The indicator for real disposable income per capita is reduced slightly to 3.8 per cent, reflecting the reduction in the target for real output growth.



government current expenditures

Billions of 1961 dollars
(ratio scale)

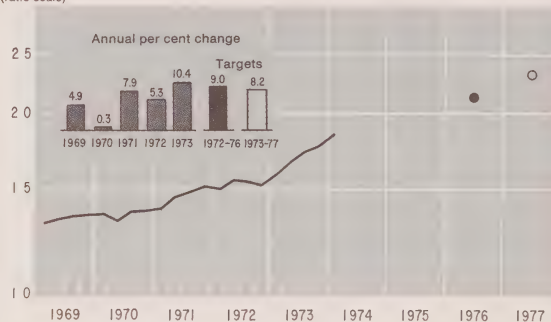


Government current expenditure growth has been relatively stable in recent years and is expected to remain so over the 1973-77 period. The indicator remains unchanged from the 5.0 per cent value proposed in the *Tenth Annual Review*.

total investment

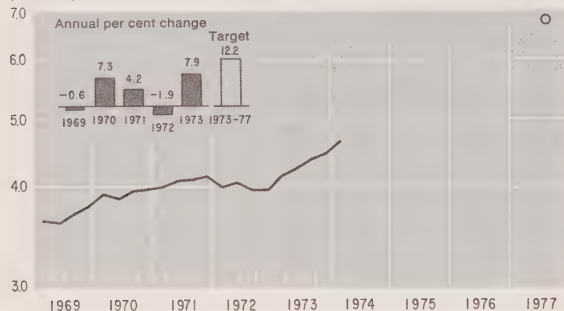
The indicator for total investment is lowered to 8.2 per cent, reflecting a different mix and time path for major energy-related investment in line with developments since the *Tenth Annual Review* was released a year ago.

Billions of 1961 dollars
(ratio scale)



nonresidential construction

Billions of 1961 dollars
(ratio scale)

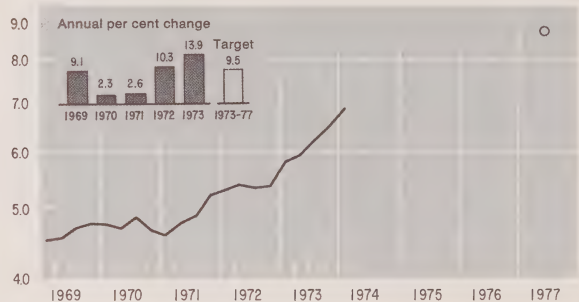


This year we have separated the private fixed investment indicator into its major components – nonresidential construction, and machinery and equipment expenditures. This allows the construction industry to be separately identified in the indicator framework and provides a standard against which progress towards more stable growth in this industry can be measured. The target for investment in nonresidential construction is set at 12.2 per cent.

machinery and equipment

The target for machinery and equipment spending is set at 9.5 per cent. The higher rate for nonresidential construction than for machinery and equipment expenditure reflects the larger nonresidential content of energy-related investment, as well as some catching-up of plant capacity.

(ratio scale)



housing starts

Thousands of units
(ratio scale)

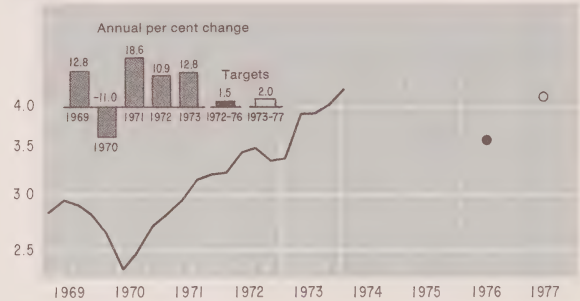


The target for housing starts remains at 245,000 units per year, on average.

investment in residential construction

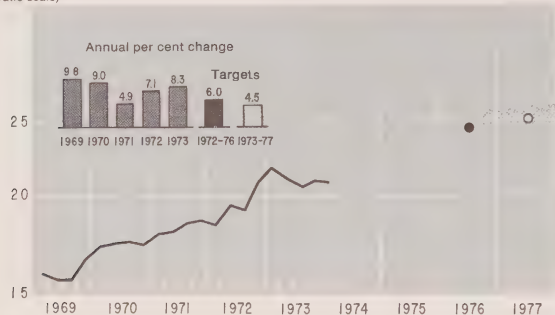
The target for investment in residential construction is increased to 2.0 per cent, reflecting a reassessment of expenditures per start.

Billions of 1961 dollars
(ratio scale)



exports

Billions of 1961 dollars
(ratio scale)

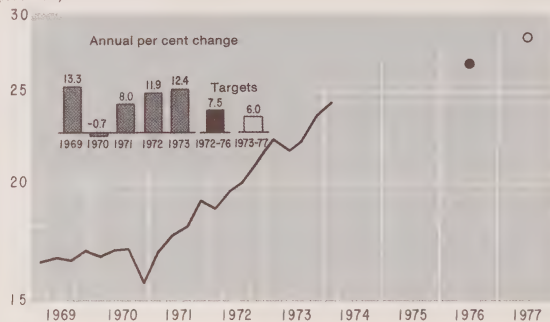


Both the export and import targets have been reduced substantially from 6.0 per cent and 7.5 per cent to 4.5 per cent and 6.0 per cent, respectively. The downward revision to exports is largely a reflection of the much weaker external economic conditions confronting Canada than were envisaged a year ago.

imports

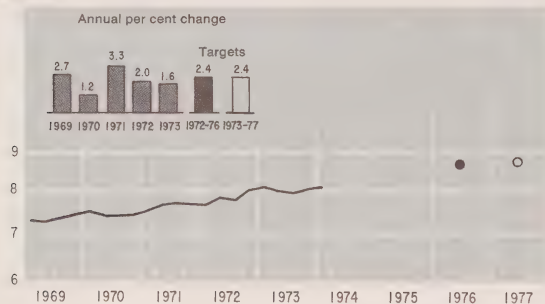
In the case of imports, the lower target rate is indicative of both the delay in the implementation of major energy-related projects and the reduction in the target rate for total output in the Canadian economy.

Billions of 1961 dollars
(ratio scale)



total output per person employed

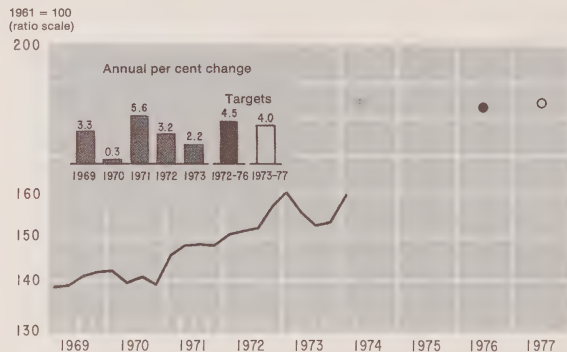
Thousands of 1961 dollars
(ratio scale)



The target for output per person employed remains unchanged from its 2.4 per cent level in the *Tenth Annual Review*.

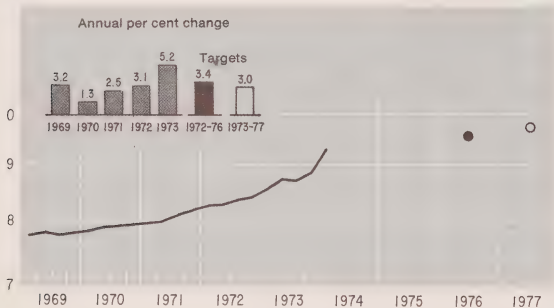
output per person employed in manufacturing

In the manufacturing sector, the indicator for output per employee is revised downward to 4.0 per cent. This would appear to be a more realistic figure, given the pressures on capacity in a wide range of manufacturing industries in 1973.



employment

Millions of persons
(ratio scale)



The decrease to 5.5 per cent in the indicator for Gross National Expenditure affects mainly the rate of employment growth, which is reduced to 3 per cent.

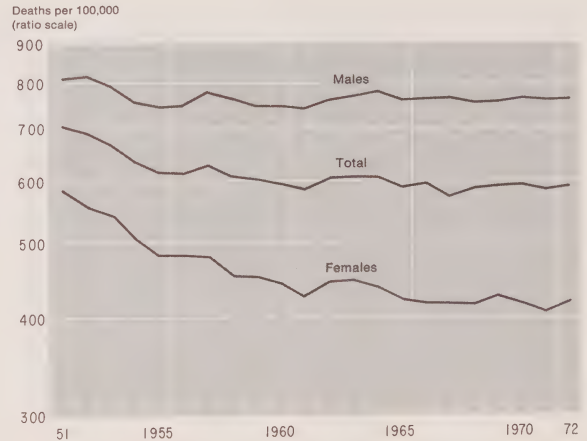
unemployment

The target of 4.5 per cent for unemployment is retained for 1977. This is in line with continuing upward movement in participation rates, although not at the same rapid pace as in 1973.

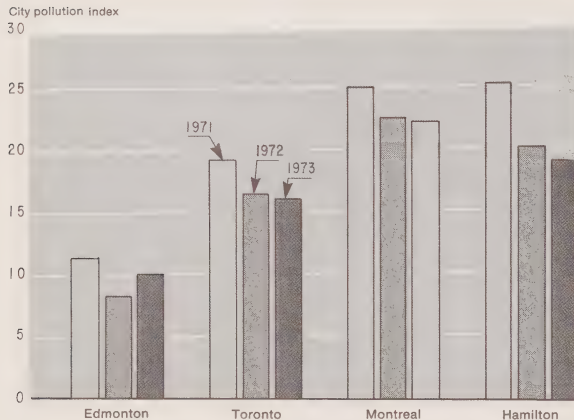


health: prime-age mortality

The change in rates between 1951 and 1972 for prime-age (35 to 64 years) mortality is shown in the chart. The total prime-age mortality rate (excluding accidental and violent deaths) decreased by only about 16 per cent between 1951 and 1972, or from 703 per 100,000 to 591 per 100,000, with the rate decreasing much more for women than for men (about 28 per cent versus 7 per cent).



environmental indicator: urban ambient air quality



Although the urban air quality indicator implies that the overall quality of urban air in Canada improved between 1971 and 1973, by approximately 13 per cent, the city pollution index illustrates that air quality varies considerably from one city to another.

housing: crowding index

Housing quality, as measured by the crowding index (number of persons per room), has generally improved in recent years. However, in spite of this overall improvement, many households still live in unacceptably crowded conditions, and considerable regional and local differences remain, as well as differences associated with certain socio-economic characteristics.



recommendation 1

We recommend adoption of the interim performance indicator values for the years 1973 to 1977, including the new indicators for investment in machinery and equipment and nonresidential construction.

recommendation 2

Recognizing the international origins of much of the inflationary pressure felt by Canada and other countries over the past decade, and bearing in mind the importance of the role played in the inflationary process by the growth of the money supply in the leading industrial countries and the very rapid increase in monetary assets and liabilities not subject to central banking control, we recommend vigorous support by Canada for initiatives directed at securing co-operative international control over such monetary assets and liabilities and the growth of international currency reserves.

recommendation 3

In dealing with the persistent food-price problems, we recommend the continued use of selective measures to increase food supplies and stimulate farm production rather than the adoption of any general system of food-price controls.

recommendation 4

We recommend that, when the principle of indexation is adopted in the public or private sector, a single general index be applied irrespective of the groups or the categories of incomes involved.

recommendation 5

We recommend that the federal and provincial governments allow the domestic price of oil to move to international levels over the medium term, and that they inquire into, and encourage, the adoption of energy-conserving practices.

recommendation 6

We recommend that the federal and provincial governments, in formulating their fiscal policies, carefully consider the effects of taxes and inflation on the total supply and disposition of savings; that they examine the feasibility of providing further incentives to personal savings, preferably in forms that do not affect the structure of portfolios available to savers; and that they recognize the need to sustain an appropriate long-term flow of business savings.

recommendation 7

We recommend that co-ordinated efforts be made by the federal government through the Central Mortgage and Housing Corporation and by the appropriate provincial and municipal authorities to provide more effective incentives to encourage the renovation, improvement, and enlargement of existing low-quality dwellings. Since smaller urban areas tend to have a higher proportion of crowded housing than larger centres, the federal and provincial governments should make special efforts to aid these smaller urban areas to take advantage of the provisions encouraging renovation activity.

recommendation 8

We recommend that efforts should be made by the Federal-Provincial Conference of Deputy Ministers of Health to ensure that the data produced by the organizations responsible for the administration of the provincial medical care and hospital insurance plans are consistent, comparable, and sufficient for the development of national morbidity-based health indicators. To this end, we suggest the Conference should meet during the course of the next year specifically to begin discussions on this matter.

recommendation 9

We recommend that, under the auspices of the Canadian Council of Resource and Environment Ministers:

- a a comprehensive, consistent, and continuous air-pollutant monitoring system be established in all urban areas of 50,000 population or more; in urban areas of over 10,000 population with poor air ventilation for significant periods of time; and in other areas containing industrial plants that emit large amounts of airborne pollutants – taking into appropriate account the technical and financial implications involved;
- b aid and other encouragement be given to research for the purposes of determining more precise standards with respect to the acceptable ambient air concentrations of each major pollutant, or combinations of these pollutants, consistent with human health and well-being and the maintenance of the physical and natural environment;
- c standardized approaches be employed to compile, on a regularly updated basis, emission inventories for all areas for which ambient air quality monitoring is deemed necessary; and
- d efforts be made to understand how pollutant emissions, the transformation of pollutants in the atmosphere, meteorological conditions, and other factors combine to produce the observed ambient air quality over major urban centres – using the expertise that can be found in many provincial ministries, federal departments and agencies, universities, and private corporations throughout Canada.

